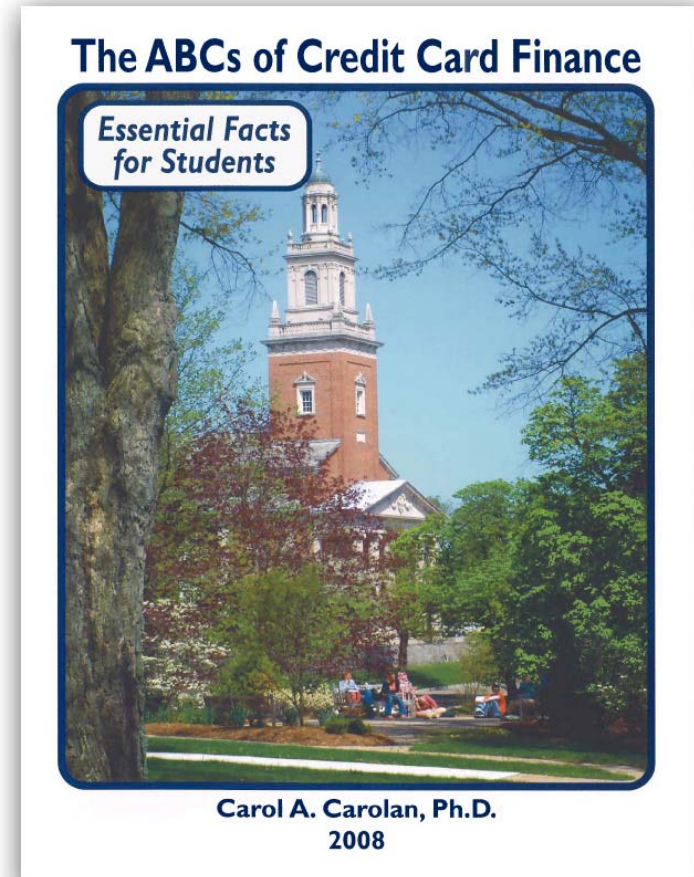


The ABCs of Credit Card Finance

- Free copies for each student
- Trainer's guide for the teacher
- Optional PowerPoint presentation
- Content revised each year
- Can be presented in about an hour



Measuring financial literacy

Suppose you owe \$1,000 on your credit card and the interest rate you are charged is 20% per year compounded annually. If you didn't pay anything off, at this interest rate, how many years would it take for the amount you owe to double?

- 2 years
- Under 5 years
- 5 to 10 years
- More than 10 years
- Do not know
- Prefer not to answer

Interest compounding	Percent
2 years	9.6
Less than 5 years (correct)	35.9
5 to 10 years	18.8
More than 10 years	13.1
Do not know	18.2
No answer	4.3

Measuring financial literacy

You owe \$3,000 on your credit card. You pay a minimum payment of \$30 each month. At an Annual Percentage Rate of 12% (or 1% per month), how many years would it take to eliminate your credit card debt if you made no additional new charges?

- Less than 5 years
- Between 5 and 10 years
- Between 10 and 15 years
- Never
- Do not know
- Prefer not to answer

Credit card payment	Percent
Less than 5 years	3.8
Between 5 & 10 years	12.4
Between 10 & 15 years	21.6
Never (correct)	35.4
Do not know	21.7
No answer	5.1

Measuring financial literacy

You purchase an appliance which costs \$1,000. To pay for this appliance, you are given the following two options: a) Pay 12 monthly installments of \$100 each; b) Borrow at a 20% annual interest rate and pay back \$1,200 a year from now. Which is the more advantageous offer?

- Option (a)
- Option (b)
- They are the same
- Do not know
- Prefer not to answer

Appliance payment	Percent
Option a	40.6
Option b (correct)	6.9
They are the same	38.8
Do not know	9.2
No answer	4.5

Literacy



Planning



Wealth

Help your students avoid mistakes

- Nearly one-third of college students admit they were “not at all” or “not very well” prepared to manage money on their own in college
- Only 1 in 5 was “very well prepared”
- 75% admit to having made mistakes with their money
 - One of the three biggest mistakes was putting too many purchases on a credit card (16%)

ABCs are brought to you FREE by:

- Kentucky Department of Financial Institutions
- Office of the State Treasurer Todd Hollenbach
- The Kentucky Council on Economic Education
- The Kentucky Jump\$start Coalition

For more information or extra copies,
call 800-223-2579.